



TE HUNGA AROHA

compassion

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empowering our community to prosper

Understanding Your Budget

*A 'Take Home Guide'
to help you make the most of your
Financial Mentoring Appointments*

Goal Setting

Take the time to think about your short and long term goals. Some people come to see a Financial Mentor because they want to pay off their debt, save for something specific such as a car, holiday, wedding or house deposit, improve their credit rating or just have more money each week to cover their expenses.

Putting together a budget is the first step in taking control of your finances. It will help you understand your current financial reality and highlight options available to you so that you can find a way forward toward your goals.

Take the time to jot down what you would like to achieve with your finances below.

- G - Goals
- R - Reality
- O - Options
- W - Way Forward

To go further with your goal setting, download the Financial Plan of Action Booklet from the resources page on our website so you can brainstorm using the GROW model above. You can also access other useful resources here such as the price comparison websites mentioned in our 'Reducing Your Expenses' section.

<https://compassiontrust.org.nz/resources>

Income, Expenses and Your Budget Total

Your budget is an overview of your financial situation. It will show you how your income measures up against your expenses and how you are managing on an average week. You can use this to identify areas that need some attention.

Once completed the budget will result in either a surplus or deficit.

Deficit = Spending more than you earn

Surplus = Spending less than you earn

If your result is a deficit, you will need to make some changes so that you have enough money to meet your obligations. If your result is a surplus you may be able to pay off any debts faster or start saving. On the next two pages, we list some ideas on ways to reduce your expenses or increase your income to help you balance your budget or save more to reach your goals faster.

Sample Client's budgeting information
Compassion Trust

Case 1: Opened 18 Mar 2021

Session 1: 18 Mar 2021

Main budget

Income	AMOUNT	FREQUENCY		WEEKLY SUBTOTAL
Part time wages/salary	\$100.00	every 1	week	\$100.00 per week
Benefit	\$250.00	every 1	week	\$250.00 per week
Total Income				\$350.00 per week

Expenses	AMOUNT	FREQUENCY		WEEKLY SUBTOTAL
Groceries	\$70.00	every 1	week	\$70.00 per week
Rent/Board	\$150.00	every 1	week	\$150.00 per week
Petrol	\$20.00	every 1	week	\$20.00 per week
Total weekly expenses				\$240.00 per week
Electricity	\$120.00	every 1	month	\$27.69 per week
Mobile Phone	\$20.00	every 1	month	\$4.62 per week
Vehicle Insurance	\$35.00	every 1	month	\$8.08 per week
Total monthly expenses				\$40.39 per week
Medical	\$100.00	every 1	year	\$1.92 per week
Clothing/Shoes	\$400.00	every 1	year	\$7.69 per week
Vehicle Maintenance	\$300.00	every 1	year	\$5.77 per week
Vehicle WOF	\$50.00	every 1	year	\$0.96 per week
Vehicle Registration	\$110.00	every 1	year	\$2.12 per week
Total yearly expenses				\$18.46 per week
Total Expenses				\$298.85 per week
Total Available				\$51.15 per week

Reducing Your Expenses

Review each one of your expenses and ask yourself if you could do without it or replace with a cheaper or free alternative. We have listed some ideas below.

- Use price comparison websites. Check you are on the best deal for your household for electricity, insurance, broadband and mobile phones. There are lots of resources online to help you compare providers and deals.
- Set a goal to do less of something ie coffee's, takeaways, eating out.
- If you own a house do you qualify for a rates rebate? When did you last apply?
- Rent is usually one of the biggest expenses. If you are renting keep an eye on the market to ensure you are not overpaying.
- Addiction can hold you back from achieving your financial goals. If you're ready to break free from smoking, alcohol, gambling or drugs consider getting in touch with one of the support agencies available to help you gain freedom in these areas.
- Consider swapping out paid subscription services such as Netflix, Disney+ and Spotify Premium for free alternatives such as TVNZ OnDemand and regular Spotify.
- Pay bills on time. Avoid unnecessary late and default fees by making sure that you have funds in your account for any automatic payments and direct debits to come out. You will see tips on how to manage your bills, especially monthly and annual expenses later in this booklet.
- Save up for purchases. When you buy on credit you often end up paying much more for a product or service than if you saved up for it. Some of the avoidable costs are interest, establishment fees, account management fees, insurance and default fees if you miss payments. Getting into a habit of saving for what you want can also help you avoid impulsive purchases.
- To save on your grocery bill, do not be brand loyal. In some cases, there is very little difference in the quality and taste of the food between the cheaper supermarket owned brands and other more expensive brands.
- Convenience foods can increase your grocery bill and you can save money by making more from scratch. View the Cheap Eats book on our website resources page for some great recipes.
- Shop less. The more times you visit the supermarket the more you spend. Take a list and only buy items on the list.
- Decide how much you will spend each week, withdraw in cash and when it is gone don't spend any more.

Increasing Your Income

- Could you work overtime or increase your hours at work?
- When was your last pay rise? Can you respectfully request a pay review?
- Check you are getting your full entitlements for Family Tax Credits and any benefits or payments from Work and Income. If you own your own home, has your mortgage, insurance or rates increased since your last calculation?
- For short-term help can you sell items you are no longer using?
- Get support for moving off a benefit into paid employment (tips below).
- Do you have an extra room that you could rent out for additional income?
- Do you qualify for accommodation supplement as a non-beneficiary?

One of the biggest struggles many of our clients have is finding suitable employment. Here is a list of some helpful support available.

- Work and Income NZ can help beneficiaries with costs involved with moving into paid work, through Assistance to Transition to Employment.
- Having a good CV is important. You can get resources online or through the library. We are also able to help clients with this.
- Workbridge is a free professional employment service for people with all kinds of disabilities.
- Dress for Success (for women) and Dress to Impress (for men - access through Work and Income NZ) can help with clothing for job interviews.
- Ara offer a free Updating Skills Course. You will learn how to present your existing skills to an employer and you'll develop new skills.
- For many jobs, it is important to have a valid full license. You may be able to apply to Work and Income NZ for a grant to pay for the cost of applying and being tested for a license. Other organisations may also be able to help such as Puna Whānau Roadblock funding if you have been affected by Covid-19.
- Doing volunteer work while applying for jobs can keep your skills current as well as looking good on your CV. Take a look at Volunteering Canterbury for opportunities.
- Be sure to take the time to carefully tailor each application to the job you are applying for. A good cover letter explaining why you would be a great fit for the advertised role is very important.
- Perseverance is key. It can take a long time and many applications to be successful.
- Make sure you can be easily contacted by potential employers. You will need an email address that you check regularly and a working phone with credit.

Dealing with Debt

Your Debt Schedule outlines who you owe money to and any repayment plans in place. Any debt repayments are also added into your budget and will show you if your current debt repayments in combination with your living expenses are affordable on your current income.

Here are some of our top tips for dealing with your debt

- Prioritise secured debt. This is any debt where you risk losing something because of missed payments eg a car.
- If your repayments are not affordable with your current income talk to your creditors about hardship options or reducing your repayment amounts so you do not fall behind in your payments.
- Pay off high interest bearing debt as fast as you can to reduce the amount of interest you pay over the length of the loan. Pay highest interest first.
- Ensure you have enough money in your account for any automatic payments or direct debits to come out to avoid payment default fees.
- Avoid taking out high interest debt where you will end up repaying much more than the amount borrowed by the time interest and fees are added.
- If you are on a low income struggling with high interest debt you may be eligible for a Debt Solve consolidation loan through Debt Solve or Nga Tangata Micro Finance. (You will have to work with a financial mentor to access).
- If you have a credit card, you may want to look into a credit card balance transfer to reduce the amount of interest you pay and enable you to pay off your balance faster.
- Change the frequency of your debt repayments for debts which calculate interest on a daily balance ie cash loans, credit cards, to reduce the total interest paid.

Managing Monthly and Annual Expenses

In your budget, monthly and annual expenses are converted to a weekly figure. This is the amount that you need to set aside each week so that you have the funds to pay these bills when they fall due. One way of managing this is to work out the total weekly amount needed to be set aside for all your monthly and annual bills and have a weekly automatic payment from your 'working' account to a 'bills' account. Arrangements with creditors can then be made for direct debits or automatic payments to be paid from the bills account.

Saving

It is important to build savings into your budget. Regularly putting aside money will help set you up for the future. Savings will help you in the event of an emergency, with unexpected costs and can be set aside for longer-term goals. A dedicated savings account can be useful to keep savings separate from funds needed for living expenses. How much you save will depend on your budget surplus and whether or not you have interest bearing debt that needs to be paid off first.

Experiencing Hardship?

When an unforeseen circumstance such as illness, loss of employment, the end of a relationship or a bereavement occurs, it can sometimes make it difficult to pay your living expenses and debt repayments. There are a number of things you can do in these situations.

- Reduce non-essential expenses (see tips for reducing expenses in this booklet).
- Prioritise your payments
- Negotiate with your creditors and/or apply for hardship
- Apply for a Kiwisaver Savings Suspension (Previously called a Contributions Holiday)
- Apply to Work and Income NZ for an emergency benefit or special needs grant.
- Need time to repay your debts? Consider a formal debt repayment plan (DRO)
- As a last resort see if you are eligible for a Kiwisaver Significant Hardship Withdrawal. (You have to explore all other reasonable sources of funding first, show proof of hardship and cannot typically make a withdrawal for debts owing)

It's important that you communicate with your creditors and get help early on if suffering hardship.

Always avoid taking on more debt to cover other debt repayments. You cannot afford it!

Compassion Trust

Financial Mentoring and Community Care Programmes

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